HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Finance

FINA • NUMBER 165 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Wednesday, September 19, 2018

Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (1530)

[English]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): Can we come to order, please? All our witnesses are here.

We thank everyone for coming. We are doing pre-budget consultations in advance of budget 2019.

We have votes tonight. Bells are at 5:45 p.m., and we're in a room quite far from the Hill, so that creates a problem. I'm wondering if we can be fairly tight on this. If the witnesses are here for the next panel, can we end this panel at 4:45 and complete the next one at 5:45, rather than having witnesses wait around while we go and vote?

We'll try that. At 5:45, we'll see where we're at on the next six witnesses.

Peter, go ahead.

Mr. Peter Fragiskatos (London North Centre, Lib.): It's my understanding, Mr. Chair—and I could be wrong on this—that the bells are at 5:30.

The Chair: Is it 5:30?

A voice: Yes.

The Chair: Yes, that's when the bells are, but usually at this committee we get co-operation to go on even though the bells are ringing.

Mr. Peter Fragiskatos: Okay. Hey, I'm the rookie. Thank you.

The Chair: We usually stay until about seven minutes before, but we're not in the room next door this time. I think we can get there in 15 minutes. We'll try for that. Thanks, all of you.

We're starting with the Canadian Apprenticeship Forum.

Mr. Massey and Ms. Sarah Watts-Rynard, the floor is yours.

Mr. Raymond Massey (Interim Executive Director, Canadian Apprenticeship Forum): Thank you, Mr. Chair.

Thank you for the invitation to appear today as part of your pre-budget consultations.

The Canadian Apprenticeship Forum was happy to submit a brief to summarize our recommendations for your budget as you consider designing the upcoming economic competitiveness piece of it.

Apprenticeship was offering young people work-integrated learning well before it became fashionable. It is the most intensive example of employer engagement in skills development and is entirely responsive to workplace demand. Apprenticeship prepares young people with a talent for problem-solving for a long-term, well-paid career in more than 300 occupations. It is a practical solution to the talent shortage that keeps Canada's employers in sectors such as construction, manufacturing, forestry and mining awake at night, yet apprenticeship isn't well understood.

Parents, youth and many government decision-makers believe apprenticeship to be a last-resort post-secondary pathway for non-academic students. While many Canadians know that employers deliver apprenticeship in the workplace, few grasp the challenges of work-based training. The reality is that apprentices in most trades need strong essential skills and advanced knowledge in math and science to be successful. They rely on consistent employment in order to progress, to complete and to become certified. Because our system treats apprentices like employees rather than learners, apprentices are vulnerable to economic conditions. This also serves to place the majority of the training burden on small and medium-sized employers.

Lately, the federal discussion around apprenticeship training has been quite narrow. Yes, there is room for more women, indigenous people, newcomers and at-risk populations in apprenticeship training, but there remain important advances for these groups in all aspects of Canadian life and work, from corporate boardrooms to research labs. The Canadian Apprenticeship Forum urges you to consider a number of broader opportunities to assist apprentices and their employers, because, frankly, Canada needs more tradespeople.

As a starting point, we would urge government to ensure that programs do not inadvertently value one post-secondary pathway above another. This means that programs under the youth employment strategy banner and those focusing on supporting school-to-work transition should be inclusive of all learners. We urge you to take into account the unique nature of apprenticeship training as you consider deepening commitments to work-integrated learning. For example, platforms designed to connect students to employers should also be mindful of the critical need for the apprentices to remain gainfully employed.

We also ask the committee to reflect on the value proposition that a small investment in apprenticeship research would have for Canada's skilled trades community. An annual investment of $5 million would ensure that employers understand the return on their investment in apprenticeship training, would give parents and youth insights into employment outcomes and would collect feedback from today's apprentices about the realities they face. When young apprentices understand the economic value of their trade certification, they will be more inclined, we believe, to complete their training. While research and data collection have been priorities of the federal government, the apprenticeship community has not yet been a net beneficiary of these investments.

Our submission also speaks to more tangible opportunities.

CAF is calling on the federal government to work with its public sector unions to hire apprentices across federal operations and to implement contracts protecting employment to the point of certification. If there is an expectation that small and medium-sized businesses must invest in training the next generation of tradespeople, the federal government must set the example.

Further, we recommend a review of the employment insurance system, which for too long has been ill-equipped to deal with apprentice training.

Finally, from among our ideas to enhance apprenticeship training, I would like to highlight a couple of examples that appear on page 5 of our submission. Initiatives in B.C. and Manitoba address the housing crisis and employment shortages among indigenous peoples by engaging local youth to build energy-efficient homes and community buildings. These programs support skills development, offer sustainable employment and lead to trade certification. With funding support from the federal government, these initiatives stand to have a generational impact.

It is an economic certainty that we need young men and women to become skilled tradespeople. In your deliberations about innovation and productivity, I encourage you to consider how we can best support apprenticeship learners on their journey to become certified. It will be this group that will make up the next generation of builders, fixers, operators and creators.

Thank you.

● (1535)

The Chair: Thank you very much.

I neglected to mention at the beginning that we do have all the briefs. I know all of you presented briefs, and I want to thank you for the concise way they've been put together this year. I think we have over 500, so when they're concise it makes it a lot easier for committee members. Thank you all for that.

Turning to the Canadian Credit Union Association, we have Ms. Mentzelopoulos and Mr. Denney.

Ms. Athana Mentzelopoulos (Vice-President, Government Relations, Canadian Credit Union Association): Thank you, Chair.

Thank you for the opportunity to be here today.

Our association represents the 252 credit unions and caisses populaires that are outside of Quebec. We contribute $6.5 billion to Canada's economy. We have 5.7 million members. Collectively, credit unions and regional centrals employ almost 29,000 people, and we manage over $225 billion in sector assets. Last year alone, we contributed $62.3 million to communities. That's 5% of our after-tax income.

Credit unions are owned by the people who bank with them, which puts customer service at a premium. That's why, for the 13th year in a row, CFIB has ranked us first for customer service excellence, ahead of federally chartered banks. I'd also like to note that in 380 communities across Canada, credit unions are the sole financial institution. Mr. Chair, I would underline that this includes six communities in Prince Edward Island.

These are just some of the things that enhance our competitiveness. I would speak to workforce diversity, as well.

Unfortunately, disproportionate regulation and uneven taxation rates take away from our competitive ability. That brings us to our recommendations for the next federal budget.

First of all, I'd like to thank you all for your help in getting us the Bank Act exemption, which allows credit unions to continue using generic banking terms. It was a big win for us. You may have noticed that the budget said that regulated financial institutions could use those terms, subject to disclosure.

That brings us to our first recommendation for the next budget. Really, it's a red tape avoidance recommendation. In our sector right now, we're working on a voluntary market conduct code. I'll call it the MCC. We're looking at some of the work that's emerging from the federal government and some of the work that already exists in Saskatchewan, where they've had a voluntary code in place for more than a decade, and comparing that to institutionalizing credit union values and the high level of service that already exists.

We would like to avoid new federal regulation in this sphere for credit unions, and in particular we'd like to avoid any new regulation for banking terminology disclosure. We ask for the committee to support that work and to avoid any costly new regulation for credit unions.

Moving on now to financial sector regulation, I think everyone would agree that over the decades policy has helped to cement the dominant position of banks in the financial sector. In our view, that results primarily from two policy dynamics. The first is a one-size-fits-all regulatory approach, and the second is a trend toward the internationalization of financial sector policy-making.

You may have heard of Basel III. It is one example. The Basel Committee on Banking Supervision started developing the Basel III standard in 2010 in response to failures of large banks during the global financial crisis. I think we just celebrated the 10-year anniversary. I'm always quick to point out that credit unions played no role in that crisis.

Basel III has been finalized as of last December, and while the increased regulatory burden of Basel III may help to improve the safety and soundness of Canada's financially complex and internationally active big banks, it will do nothing or very little, we believe, to enhance what is already a high standard of safety and soundness for credit unions. In short, members, we believe that you get what you regulate for. If we see regulation only for big banks, we will ultimately only have big banks.

We are fortunate that the federal Department of Finance has acknowledged these emerging trends or challenges. We saw that acknowledged in budget 2018. Specifically, the government has suggested that the upcoming 2019 review of financial institutions will be an opportunity to address these issues. Last year, our association provided several recommendations during the second stage of that consultation, and several of the recommendations link directly to enhanced competitiveness. Others were related to governance recommendations. These are actually about the regulation of federal credit unions, and they would really help to advance regulation into the modern age. For example, we support amending the Bank Act to allow for electronic voting in advance of annual general meetings.

To summarize, this recommendation is to ensure, first of all, that the government institutionalizes the perspectives of credit unions. Second, we recommend that you consider the input of CCUA's prior recommendations to the Department of Finance regarding membership thresholds and other governance matters aimed at increased diversity and competitiveness by credit unions.

● (1540)

Finally I'm going to talk about taxing credit unions as co-operatives.

The fair tax treatment of credit unions as co-operatives remains an evolving policy matter in Canada. The Government of British Columbia has recently signalled that it will enhance the lending capacity of credit unions by making their co-operatively oriented tax status permanent. We used to have a similar treatment at the federal level, but it was eliminated in 2013, and it left credit unions with a framework that imposed higher taxes, suitable perhaps for joint stock banks but not for co-operatively structured credit unions.

Our association asks to re-establish the competitive balance in the tax system, and we recommend that the committee and the Department of Finance consider new ways to do so.

Thank you for your attention.

The Chair: Thank you very much.

From the Canadian Federation of University Women, we have Ms. de Breyne-Gagnon.

Mrs. Geneviève de Breyne-Gagnon (Advocacy Coordinator, Canadian Federation of University Women): Thank you, Mr. Chair.

[*Translation*]

I thank the committee for giving us an opportunity to appear before its members today. I am speaking on behalf of the Canadian Federation of University Women, a non-profit organization with more than 100 clubs across Canada that has been working for nearly 100 years to improve the status of women in Canada and elsewhere.

[*English*]

Current statistics show that Canada's economic system does not work for everyone. Canada has the seventh largest pay gap among the OECD countries. Women, representing half of Canada's population, are underemployed and underpaid, and their work is undervalued. This is especially true for women with disabilities, immigrant women, indigenous women and racialized women.

To ensure economic competitiveness, Canada must implement social and economic policy that actually works for all women to ensure their economic security. Our brief contains several recommendations that align with this goal, but today I will speak to the recommendation related to early learning and child care.

We recommend that the government commit to universal child care, a publicly funded, high-quality, affordable, accessible and inclusive early learning and child care. Additionally, we recommend that the government allocate $1 billion for the next fiscal year and plan for total annual child care spending to reach 1% of GDP. The reality is that for many Canadian families, child care fees are unaffordable and child care spaces are unavailable and inaccessible. Forty-four per cent of Canadian families live in child care deserts with fewer than one licensed child care space for every three children. In addition, there are large discrepancies in services and fees from one province to another, as well as low wages for educators in this sector.

The reality is also that both funding and the policy framework around child care are inadequate. Budget 2017 designated federal spending of $7.5 billion over 11 fiscal years starting in 2017, with an average spending of $540 million in each of the first five years. This represents only half of what was promised more than 10 years ago by Paul Martin's government. At just 0.3% of the GDP, Canada's current annual spending on child care falls significantly short of the UNICEF international benchmark spending of 1% of a country's GDP.

Also, the ongoing three-year bilateral agreements established by the multilateral framework present parameters that are too broad. Federal transfers must be conditional to evidence-based practices and provincial-territorial plans, timetables and measurable targets that focus on accessibility, affordability, high quality and inclusivity. Right now, provinces can use the federal transfers for parent fee subsidies or tax credits, which does little to build public not-for-profit systems affordable for all.

We know what Canada-wide universal child care can do for women, children and our economy. We know that universal child care can have a strong, positive impact on women's economic security by increasing their ability to get a job, to pursue education and skills training, or to increase their work hours and advance their career. We know that universal child care can guarantee the best developmental outcome for children, and that higher pay for educators will result in higher quality.

We know that universal child care can have a significant impact on Canada's economic growth. The IMF recognized that if the current gap of seven percentage points between male and female labour force participation with high educational attainment were eliminated, the level of real GDP could be about 4% higher today.

We know all this because there is an abundance of research and reports accumulated throughout decades that support increased federal public spending and federal policy on child care. Women's organizations, child care advocates, and unions, and now financial organizations such as the Bank of Canada, the IMF and the OECD, all agree. Last year, this committee also recommended that the federal government fund universal child care, a recommendation that was echoed over the summer by a report of the House of Commons Standing Committee on the Status of Women.

With budget 2018 depending primarily on the mass entry of women into the workforce to generate economic growth, we really fail to understand why no additional funding was given to build universal child care. We no longer want to see these reports being disregarded, and we really hope that this committee will continue to push on this issue this year.

Thank you.

● (1545)

The Chair: Thank you very much, Geneviève.

We'll turn to the Canadian Trucking Alliance, with Mr. Laskowski, president, and Mr. Blackham.

Mr. Stephen Laskowski (President, Canadian Trucking Alliance): Thank you very much, Mr. Chair.

Thank you to all the members for having us here today. As mentioned by the chair, my name is Stephen Laskowski. I'm president of the Canadian Trucking Alliance. I am joined by my colleague Jonathan Blackham.

By way of background, the Canadian Trucking Alliance is a federation of the nation's provincial trucking associations. We have approximately 4,500 members, a cross-section across the country of different commodities. We employ a membership of around 150,000, and we move about 70% of the nation's freight.

As noted, the committee is looking for topics that are related to economic growth and ensuring Canada's competitiveness. While there are a host of issues in CTA's documents—and we had to shrink them even more due to your word count requirements, which kept our wordiness down a bit—I'm going to keep our opening remarks to three main topics. There are others in our submissions. We're happy to take questions, but we'll deal with the top three we're going to highlight: what we refer to as Driver Inc., which is an underground economy issue; Canada's competitiveness compared to that of the United States; and the truck driver shortage in Canada.

I'll start with what is known as Driver Inc. A number of drivers and carriers are entering into agreements whereby drivers incorporate themselves and then sell their services to the carrier. It is important to note that these drivers are not traditional independent contractors, known as owner-operators in our industry, as they do not own, lease or operate a vehicle. These drivers drive the carrier's vehicles and are virtually indistinguishable from a normal employee. In this scheme, no source deductions are made, and often drivers will be claiming small-business deductions they are not entitled to. In fact many, we believe, are just not paying taxes, period.

It is difficult to pinpoint the exact percentage of misclassified drivers or those who are not paying taxes. We believe that we are probably looking at an underground economy of close to $1 billion. At even a fraction of the driver population—and we're looking at probably 20%—that $1 billion continues to grow.

We need action. If this practice continues unchecked, CTA expects the entire industry will move to this model, given the competitive savings and the driver shortage. Quite frankly, people are using this as an incentive to get people to come to work for them in a tight labour market. It's costing the real trucking industry—those who are compliant—people, and it's costing the taxpayers of Canada $1 billion in an underground economy. It's time for action.

On Canada's competitiveness compared to U.S. competitors, at the U.S. border this year there will be around 11 million two-way truck movements. Those trucks will carry $400 billion in Canada-U.S. trade. In the past, around 68% of these movements were related to Canadian registered trucks. However, we must always remember that the Canadian trucking industry competes internationally. What do we mean by that? There are U.S. trucks up here and they compete for our members' business, those 150,000 people.

Competition with large U.S. fleets with natural advantages related to economies of scale is an everyday reality for Canadian fleets. A large fleet in Canada is 1,500 trucks. In the United States that's probably not even mid-sized. You're looking at fleets of over 10,000 to 15,000 trucks.

One area Canada could improve on is capital cost allowance rates. U.S. capital cost allowance rates are far more advantageous, allowing U.S. carriers to write down trucks in half the time. While this advantage has existed for well over a decade now, the tax advantage for U.S. trucking companies over their Canadian counterparts has hit new levels with the corporate tax reductions introduced by President Trump. In the past, we have been told that, due to the competitive advantage we had on corporate tax rates, this was, in essence, a wash. It no longer is, with what Mr. Trump has done.

Canada must address this growing tax inequity between Canadian and U.S. fleets. As a possible step, the government could provide an accelerated CCA rate for carbon-reducing trucking equipment, as identified by Environment and Climate Change Canada's phase 1 and phase 2 heavy truck regulations, which were introduced this year, the details of which could be worked out between government and industry.

● (1550)

The last issue is driver shortage. As a result of growing industry demand and a stagnant supply of drivers, the truck driver supply and demand gap is estimated to reach 34,000 people by 2024. Today, it is estimated the industry is short between 10,000 and 15,000 drivers. On the ground, this is evidence of the struggles carriers are facing to find qualified drivers to fulfill current contractual obligations. Many fleets have unseated trucks, which means that those trucks could be on the road but, because there are no qualified drivers, they sit by the side of the fence. What this means to the economy is that eventually freight is going to sit at their doors and not make it to customers, and the growing threat of NAFTA will be increased by not fulfilling north-south trade.

Not only does our industry have one of the oldest and most rapidly aging workforces, but it simultaneously struggles to attract new drivers. That's something our industry needs to deal with, but there's also a role for government.

We are already starting to see customers and shippers affected. It won't be long until customers, the general public, will start to be affected. In fact, I am somewhat happy to say that customers are calling the Canadian Trucking Alliance asking, "What are we going to do about truck driver shortage?" I have to tell you, I've been in this business for 20 years and I've never had those calls before.

As for the silver bullet for driver shortage, there really isn't one. There's some responsibility on the part of our membership, and we're doing that. I'd be happy to take some questions on how we're addressing it, but, as with everything, there's a role for government as well.

The industry has recently completed a report on the temporary foreign worker program. CTA would like to see those recommendations acted upon, including the creation of an expedited program for trucking. Currently, if we wanted to bring over immigrants from across the world—and there are many qualified truck drivers who would love to be Canadians—we simply can't do it. It's much more difficult for our industry, compared to others. We also want to attract Canadians who are here in Canada looking for a job. We're going to have 34,000 vacancies soon, so there's opportunity.

What would we like to see the government do? CTA would like to see funds made available for training in the trucking industry, as in other sectors. Currently, we do not have the same sort of access to funds that other sectors do, particularly the skilled trades. Unfortunately, our government has referred to truck drivers as unskilled. That holds us back, not only with training, but with immigration, and we'd like to work with the government on resolving that.

We'd be happy to take questions when the appropriate time comes. Thank you.

● (1555)

The Chair: Thank you very much, Stephen.

On the report, I'm not sure if we've received a report. If it went to the government, we might not have. Can you send the clerk a copy of that report?

I have a neighbour who has 70 trucks in his fleet. Last weekend, 18 of them were sitting idle for no other reason than no drivers.

We'll turn to Canadians for Tax Fairness. Mr. Sanger, the floor is yours.

Mr. Toby Sanger (Executive Director, Canadians for Tax Fairness): Good afternoon, and thank you very much for inviting us.

Most come here asking you to spend more money, whether through tax cuts or increasing spending in particular areas. We're coming here with ways for you to generate more revenue so you can pay for some of those other recommendations. I hope you welcome our suggestions.

As you are well aware, there is much pressure from business lobby groups, including the Business Council of Canada, the Chamber of Commerce, the C.D. Howe Institute, and the Fraser Institute, to respond to Trump's tax cuts with additional cuts for business and high incomes in Canada as well. I strongly urge you not to succumb to this pressure. The reality is that Canada has had declining rates of business investment for the past two decades. Deep cuts to corporate and business taxes have done nothing to stop that, as you can see clearly from the chart included in our submission.

Instead, business tax cuts have contributed to over $700 billion in corporate surpluses, dead money that isn't being reinvested in the economy. More of the same tax cuts that primarily benefit larger profitable corporations will not change this. The tax cuts south of the border are primarily benefiting top incomes and shareholders, with much going into unproductive share buybacks.

I'm also skeptical of the economic wisdom of allowing full immediate expensing of capital investments, for reasons I would be happy to explain later. Instead, we should focus on measures that will improve productivity and competitiveness for all businesses—for example, a national universal comprehensive pharmacare program. This could save employers approximately $4.5 billion annually, not to mention many billions for households as well.

As a top priority, the federal government must eliminate the tax preferences it provides to foreign e-commerce companies at the expense of Canadian businesses, producers and workers. It has been five years since the OECD first identified this as a top priority in their BEPS, or base erosion and profit shifting, action plan. Over 50 nations, including the overwhelming majority of G20 and OECD nations, have adopted rules in accordance with the OECD guidelines. Despite the loss of tens of thousands of jobs and the closure of dozens of media outlets, our federal government has been missing in action on this issue. Why are we giving tax preference to foreign digital giants, the largest companies in the world, at the expense of Canadian businesses, Canadian workers, Canadian culture, and also at the expense of federal and provincial revenues?

We also urge the federal government to take additional specific actions to crack down on international tax evasion and aggressive tax avoidance, consistent with the OECD recommendations. There should be a cap on the interest payments that corporations can expense to offshore subsidiaries, and corporations must be required to demonstrate that their offshore subsidiaries carry out actual economic activity.

The federal government should also invest more in training and technology at the CRA to better combat sophisticated tax evasion, which the Professional Institute of the Public Service has called for.

We were pleased this summer that federal and provincial finance ministers pledged to improve Canada's corporate and beneficial ownership transparency rules, another area where we rank poorly in relation to other G20 countries. Canada is increasingly a destination for money laundering, including through real estate and casinos, with billions lost through tax avoidance. To combat this, we need a publicly accessible registry of the beneficial owners of companies. More details are included in our submission.

We also urge the government to follow through on its election commitment to conduct a wide-ranging review of tax expenditures and cancel unfairly targeted tax breaks. Some action has been taken, which is appreciated, but more needs to be done. Most tax expenditures provide greater benefits for top incomes. Eliminating just a few of these could raise billions in additional revenues and make the tax system fairer.

Finally, we support the federal government's proposal for a national carbon price backstop, but it should be progressive, with measures to ensure that lower and middle incomes are fully compensated for their increased costs, and with border adjustment tariffs so Canadian producers remain competitive.

Thank you very much. I look forward to your questions or comments.

● (1600)

The Chair: Thank you very much, Toby.

Next, we have Ms. Woroniuk from the MATCH International Women's Fund. I'm not sure if I got that right.

Ms. Beth Woroniuk (Policy Lead, MATCH International Women's Fund): You did a pretty good job.

Thank you, Mr. Chair and committee members, for the invitation to appear before you today as part of the pre-budget consultations.

Our message to you is very simple: Canada's international assistance program should invest significantly more in women's rights organizations. Specifically, we are asking the federal government to invest $2.2 billion of our international assistance spending over 10 years.

The MATCH International Women's Fund is Canada's only global fund for women, girls, and trans people. Working at the intersection of women's rights and innovation, we fund creative and courageous women and their organizations to dismantle barriers, challenge perceptions, and change the world.

Our recommendation is not new. In fact, increased support for grassroots women's organizations was a recommendation from the House Committee on Foreign Affairs and International Development in its 2016 study on women, peace and security. Furthermore, the G7's Gender Equality Advisory Council recommended new and substantial financing for women's rights organizations, including long-term, predictable and core support to build organizational capacity.

Our dollar-figure ask is also not unprecedented. In previous years, Canada has made significant global investments in maternal, child and newborn health. In fact, these programs totalled approximately $2.2 billion over 10 years. We urge you to make a similar commitment to women's rights organizations globally.

Why would this be an effective investment? First, these organizations are the ones that drive change on the ground. For example, the MATCH fund supports HarassMap in Egypt. This small organization originally used a geo-mapping technology to document rape and harassment on the streets of Cairo during the Arab Spring, but it didn't end there. The initiative was so popular that it grew to cover the whole country.

These activists started participating in national conversations. They engaged universities, developing the first-ever sexual harassment policy for Cairo University. They recruited teams of men to hold conversations with other men. They worked with Uber to train drivers on appropriate conduct. HarrassMap is just one example of how women's organizations work at so many levels—policy dialogue, social norms, delivering services to women—all the while developing new and innovative approaches.

A second reason is that despite their effectiveness, women's rights organizations in developing countries lack the funding to put their plans into action. Global resources are just not invested in these organizations. A survey conducted several years ago found that, on average, these organizations operate on less than $20,000 U.S. per year.

Third, to date, these groups have not received Canadian support. In the last year we have data for, women's rights organizations received only 0.3% of Canada's gender equality-focused assistance. That's not 0.3% of overall assistance, but 0.3% just of the funding going to gender equality issues, already representing a small percentage of the entire development budget.

Recently, we have seen some positive moves to reverse these trends. The 2017 announcement of the women's voice and leadership initiative was a key first step. As well, earlier this year Minister Bibeau signalled her government's intention to invest up to $300 million to leverage new resources to support these grassroots organizations.

These two announcements are a good start. However, additional investments are needed to put Canada in a global leadership position.

Increasing overall ODA investments would allow for more funding flexibility. We also recommend improving the current Global Affairs Canada funding structures so that resources to women's rights organizations can be delivered more quickly and effectively.

In conclusion, Canada's international assistance is a crucial reflection of Canadian values. How much we invest and where we invest it are vital indicators of the extent to which our actions in the world correspond to what we believe in as Canadians.

A national survey of Canadian millennials commissioned by the MATCH fund will be released on Monday. It demonstrates widespread support for Canada to play a lead role in bringing about global gender equality. Stay tuned for the details.

● (1605)

Ambitious new investments in women's rights organizations and feminist movements would truly allow Canada to claim the laurel and label of global leader.

Thank you.

The Chair: Thank you very much.

We'll have to go to five-minute rounds, starting with Mr. Fragiskatos.

Mr. Peter Fragiskatos: Thank you very much.

Thank you, by the way, to each and every witness who has testified.

My first question goes to the Canadian Federation of University Women. Your brief does focus on newcomers who arrive as refugees. I have an interest in immigration in general, but particularly in refugees. Your brief talks about integration, which is very welcome. All too often we've seen in this country and other democracies the idea emerge that refugees are some kind of burden. In fact, I think quite the opposite is the case.

I looked at your brief and it doesn't go on in this way, but it certainly implies strongly that there is an opportunity here. Refugees offer something to society, something positive. Since we are examining economic issues here, I wonder if you could put on the record your view and your organization's view on how refugees actually pose a positive for societies looking to grow, in particular communities that are small and have population concerns and/or communities that are experiencing labour shortages.

Mrs. Geneviève de Breyne-Gagnon: We know that we have a shrinking labour force right now in Canada. We also have international obligations, human rights obligations, to uphold. The recent position taken by our members is that we want to see Canada do more and be a leader in welcoming refugees in Canada. We are faced with this global refugee crisis that keeps increasing, and yet in Canada we have this labour force that's shrinking. The position is that we have to share the responsibility and welcome more refugees.

This is what we're asking in a part of our brief, that we increase and match the funds to have adequate integration measures for refugees. In small communities, we've seen that it can be a really positive approach. We've seen that historically throughout Canada. We've seen that refugees have brought so much, not just economically but culturally and politically.

We've seen that they're ready to be part of the community that welcomes them, and that they create businesses that will be successful. They're just there to have a better life, and we have the obligation to provide that to them.

● (1610)

Mr. Peter Fragiskatos: If we had more time, I would ask for your thoughts on immigration settlement agencies. I think they have a unique role to play in all this and have done tremendous work helping to integrate newcomers and refugees in particular.

My second question goes to Canadians for Tax Fairness.

I read in your brief, Mr. Sanger, that you're obviously skeptical when it comes to decreasing corporate tax rates. The brief makes specific mention of the situation in the U.S. It says that "marginal overall economic benefits" are expected in the United States. This is in your analysis. You point to an analysis by TD Bank that says, "With an economy very close to full employment, a fiscal boost is likely to lead to higher inflation, and a slightly faster pace of rate hikes." I'm quoting here from the TD Bank report speaking about the United States.

Canada is obviously in a similar position. We have the lowest unemployment rates since the 1970s. In addition, the TD report forecast that in the U.S. a massive corporate tax rate is likely to lead to larger debt burdens for future generations.

Could you focus on that and apply that insight to the Canadian context?

Mr. Toby Sanger: Absolutely. Thank you very much for that question.

Immediately after the U.S. tax cuts, quite a lot went into share buybacks and other types of things. I did find it interesting reading the commentary from the bank economists. These are people working for organizations that likely benefit considerably from tax cuts. A lot of them said that Canada should not follow the U.S. with rate cuts in those areas.

The economy is doing well. The economy is strong in the U.S. and it's strong in Canada. If you apply that extra stimulus at this time, it's not going to do much good. It's going to lead to more inflation. You also get the problem later on that if you have already done this—for instance, there's a lot of talk about full expensing of capital expenditures—you're not going to have that tool in the future, or you're not going to have that tool to apply in particular policy areas.

I'm skeptical of it, and I think most economists are skeptical of it, because when the economy is doing well like this, you don't keep pouring more fuel onto the fire in that way.

Mr. Peter Fragiskatos: Thank you very much.

The Chair: Thank you, all.

Mr. Poilievre, go ahead.

Hon. Pierre Poilievre (Carleton, CPC): My question is for the witnesses from the Canadian Apprenticeship Forum. One of the obstacles to increasing participation in the trades is the difficulty in getting people licensed to practise in regulated occupations. In my constituency, I have newcomers to Canada who were in the trades in other countries and yet can't get their credentials recognized in this one.

As far as I know, taking apart and putting together a transmission is the same in most countries around the world. It doesn't make a lot of sense to me that a qualified Gujarati mechanic can do his job in India but can't do it here in Canada.

What suggestions do you have to break down the barriers that some occupational licensing rules can present to highly skilled immigrants and others who have skill sets that are not formally recognized by the licensing system?

Mr. Raymond Massey: Thank you for the question.

I've been involved with apprenticeship for quite some time. As a result, I was able to sit on the CCDA, the Canadian Council of Directors of Apprenticeship. That is the provincial and territorial directors of apprenticeship across Canada, who get together to work on various initiatives to try to streamline the apprenticeship system. Harmonization is one of their efforts. Right now, each provincial and territorial jurisdiction has its own model for delivering apprenticeship training. There has been an effort for the last three or four years to try to harmonize standards across the country.

Part of that effort is about foreign credential recognition and being able to take some of the credentials that someone has earned in another jurisdiction—another country, for instance—and look at how that matches up against Canadian credentials. Some work has been done in that area, but there's a lot more that needs to be done. It's ongoing at this particular time.

I don't know if Sarah has anything to add to that. Work is happening. What we're talking about right now is reaching out to our stakeholder group and trying to get them engaged and get them to tell us what they need. Sometimes there are some issues on job sites that demand training that's a bit different from what's available in other jurisdictions or other countries. They're working on that.

● (1615)

Ms. Sarah Watts-Rynard (Past Executive Director, Canadian Apprenticeship Forum): I would repeat that. Work is definitely being done at the provincial and territorial level in terms of thinking about prior credential recognition.

Hon. Pierre Poilievre: Right.

Ms. Sarah Watts-Rynard: The challenge comes in the provinces and territories where there is real demand. We need to be directing skilled immigrants to where there is demand. There's an opportunity to look at the credentials and accept them into a piece of the apprenticeship system, not necessarily accept them at par. We could say, "In Canada, what you know would be recognized at the level of a third-year apprentice, so let's slot you in there, get you connected with an employer, and take you to the Canadian credential."

Hon. Pierre Poilievre: You know, I hear a lot about this. There are meetings happening. Work is being done and we're all trying to get it together, but it just seems frustrating that this hasn't moved more quickly. I'm not blaming the existing government. It is a multi-jurisdictional problem, principally or mostly in the provincial jurisdiction, but you do have a national association here.

I wonder if the solution isn't to get to a skills-based licensing system rather than a process-based licensing system. What I mean is that if someone can do the job and they can prove through rigorous testing that they can do the job, do we really need to go around the entire world and try to accredit every single educational institution that exists on planet Earth in order to determine which ones match our standards and which don't?

I mentioned Gujarat because I actually have a former constituent who has a low-wage job as a technician when he's pretty much qualified to be a mechanic. He should be making three or four times what he is making, but because of a bureaucratic obstacle, he's not a licensed mechanic.

Why can't we license people based on their abilities rather than have all these bureaucratic processes?

Ms. Sarah Watts-Rynard: I sympathize with your constituent, because we absolutely have an opportunity in the skilled trades to do competency-based credentialing. It is a unique environment with lots of cases. This is not about what school you trained at, what your credential is, and where it fits but about whether you are actually able to do the job. The difficulty that we find many of the provinces and territories and their regulatory authorities have is that in Canada, the final exam is a multiple-choice exam, applied in English or in French, and it is not competency-based. Competency-based testing is extremely expensive. That's probably the reason it's happening.

Is there an opportunity here? There absolutely is. There is no reason why somebody can't prove that they can do the job and then be given some kind of laddering into an apprenticeship program or some kind of recognition. I do think the provinces and territories are struggling to find a way of doing this that is equal across the country. That's part of what Ray was talking about in terms of those directors of apprenticeship working in that area. Are there opportunities here? There absolutely are.

The Chair: Thank you.

Mr. Julian and Ms. Malcolmson, I think you're going to split your time. The floor is yours.

● (1620)

Mr. Peter Julian (New Westminster—Burnaby, NDP): Yes, thanks very much, Mr. Chair.

Thanks to all our witnesses. I wish I had half an hour to question you all. You're giving a lot of depth to your presentations. I only have five minutes, though, and I'm splitting it with Ms. Malcolmson.

Mr. Sanger, that was a very interesting presentation. We know already that in terms of competitive advantages, our universal health care system has a competitive advantage of about $3,000 a year per employee. A Canadian company doesn't have to pay that cost. An American company does. That is a major advantage to any Canadian company.

I understand from your presentation that you're talking about child care and pharmacare as further investments that should be made to improve the competitiveness of Canadian companies, including that $4.5 billion that would be taken off the books of Canadian companies and assumed through a universal pharmacare plan.

You raised the issue around e-commerce companies and the fact that they are getting off the hook from paying a wide range of taxes and obligations that Canadian companies have. You also raised the issue around the $700 billion basically being parked—dead money—with that surprising statistic that as tax cuts have kicked in for the corporate sector over the last 20 years, business investment in machinery and equipment has actually declined.

These are, I think, surprising and important things for the committee to note. Could you add anything in terms of what this committee needs to consider before we put forward our recommendations in the pre-budget report?

Mr. Toby Sanger: I'll pick up on maybe a couple of issues. I know that the full expensing of capital is a big issue and there are indications there. I think CIBC said, okay, if you're going to do it, do it in as narrow a way as possible. So that's another bank that has said you shouldn't pursue those things.

I think it's quite surprising for a lot of economists and others to see declining rates of investment in machinery and equipment in a lot of different areas. It's partly because the economy is changing in different ways. Tax cuts aren't going to provide the bump in that area. We have very differently structured companies at this stage, so broad-based tax cuts are probably not going to do that, just as they haven't in the past. I think tax measures should be time-limited and reviewed in different ways. If—

Mr. Peter Julian: Thank you. I'm going to cut you off so I can hand the second half to Ms. Malcolmson.

Ms. Sheila Malcolmson (Nanaimo—Ladysmith, NDP): Thank you, Mr. Chair, and thank you to my NDP colleague for sharing his time.

I want to take up one of the issues raised by the Canadian Federation of University Women in its brief but not mentioned in its remarks.

With respect to pay equity, you're asking for the hiring of 50 public servants to work as pay equity commissioners and supporters, and also for $80 million per year toward the new pay equity commission. Do you share my wish that this had been in last year's budget so that it would have been ready for this pending legislation? Do you share my frustration that it's now two and a half years after the tabling of the special pay equity committee's report, which said that we can't wait or had something in the title along those lines? What has been the cost of waiting with respect to women?

Mrs. Geneviève de Breyne-Gagnon: In the sector, women share the frustration of the pay equity task force, which dates back to 2004. The recommendations made in 2004 were then remade in 2016 by the Special Committee on Pay Equity. Right now we are really glad to see proactive legislation, but at the same time we are worried because it will be part of the budget implementation act. It should really be stand-alone legislation that specialists can look at and comment on.

In our budget, we ask for $80 million for an enforcement mechanism, which would be a pay equity commission, and for 50 enforcement officers. This estimate was done by Fay Faraday and Jan Borowy from the Ontario Equal Pay Coalition. It's based on estimates from the Ontario pay equity office's budget when it was a full-fledged budget in 1992, and it's also based on the need that we see from this legislation, which is high.

Women have been making complaints about pay equity. It's complaints-based, and now we want to see this be proactive. It's not only up to women to deal with that; it's up to society. We hope that this can be addressed in the next piece of legislation and that it can be adequately financed.

● (1625)

The Chair: I'll have to end it there.

Mr. Fergus, go ahead.

[*Translation*]

Mr. Greg Fergus (Hull—Aylmer, Lib.): Thank you very much, Mr. Chair.

Since I have only five minutes, I will unfortunately not be able to put questions to all witnesses.

I would like to start with the Canadian Trucking Alliance. Mr. Laskowski, you said that the "Driver Inc." model, where drivers incorporate themselves before selling their services to carriers, was problematic. Can you elaborate on how changing that determination for tax purposes would resolve the issue?

[*English*]

Mr. Stephen Laskowski: I think it's multi-stepped. You heard from a number of witnesses—and I'm going to borrow from them—that it's about proactive enforcement, as opposed to reactive enforcement. It's about clarification of the law. I think the CRA has a role to play here. The incorporation of employees is not just a trucking issue; it's an issue in other sectors as well. It's just that our sector has a bigger problem with it. So, it's about enforcement. It's about a simple administrative matter, probably in tracking. The CRA could demand that truck drivers be issued either a T4, which all employees get, or a T4A for contractors. Quite frankly, it's about enforcing the law. I don't believe we have that right now. It's a matter of ruling, clarification, T4As and then enforcement.

[*Translation*]

Mr. Greg Fergus: My second question is for the Canadian Apprenticeship Forum representatives. You presented very clear recommendations.

In your first recommendation, you talked about the Red Seal endorsement program. If that accreditation was given more recognition, as you would like, would professional associations be likely to stop supporting that program?

[*English*]

Ms. Sarah Watts-Rynard: I think that the first recommendation is really about how we can start thinking about that Red Seal endorsement, which is something that has become recognized over time as a credential. We can start recognizing that, even when we're interviewing for positions within the federal government or within our contractors, and thinking about that as being equal to another kind of credential.

In human resources management, often the first question is, "Do you have a university degree?" What that does is undervalue even at a high level.... What it does is say to young people that they can get their Red Seal credential, but it's never going to be good enough. This goes back to university-first culture. If any kind of credential is recognized at the same level, then I think it will tell young people and tradespeople that the credential is valued. We'll start to see post-secondary institutions have opportunities to ladder into MBA courses and into other higher education, with this as an equivalent to an undergraduate degree.

I think this is one of those things that have very little to do with spending money. It has a lot to do with valuing that as a form of post-secondary education so that the credential has real value in the economy.

● (1630)

[*Translation*]

Mr. Greg Fergus: I would like to continue on this topic. Could newcomers also have access to that program through distance education to obtain their accreditation?

[*English*]

Ms. Sarah Watts-Rynard: The Red Seal program is currently administered by the Canadian Council of Directors of Apprenticeship and ESDC through the Red Seal Secretariat. There is really no reason, seeing as the exam is a multiple-choice exam.... There are a number of upgrading, training and preparation courses. There's no reason not to make that available, not only to newcomers, but also to prospective newcomers who are in their home country and are looking for a transition to the Canadian workforce.

The Chair: Thank you.

Mr. Kelly, go ahead.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you, Mr. Chair.

My question is for the Canadian Apprenticeship Forum. Many of the very well-paying jobs in my riding are in the skilled trades, particularly in the resource sector. Do you have concerns about the future demand, in particular for welders, electricians and millwrights, these trades in Alberta, in the absence of major projects being approved for construction?

Mr. Raymond Massey: The answer to that question, Pat, is absolutely yes.

It wasn't that long ago that we were concerned about getting enough qualified tradespeople to build up the infrastructure in the oil sands and the petroleum industry. Now it's not just about building up those projects; it's about maintaining those projects. It was only a couple of years ago that the workforce needed to maintain those projects overstepped the building of those projects. That's not going away anytime soon.

One of the challenges we have in the apprenticeship community or in the trades community is that, when the economy takes a dip like that, people leave. It's always hard to backfill that once the economy picks up again. We also have an aging workforce. That's always eating at us. It's not just in our sector, but in all sorts of sectors. We heard from the trucking sector, for instance, that they're facing the same issues.

What we talked about in our brief was really trying to develop programs, the parity of esteem, and trying to make programs more accessible, because apprenticeship for a lot of people is one of the country's best-kept secrets. They don't truly know what's involved in it. Part of our brief speaks to the need for us to get out there and communicate that value-added proposition to Canadians.

Mr. Pat Kelly: I'll direct my second question to the Credit Union Association.

You mentioned the uneven taxation in financial services. You talked about overall competitiveness and choice in financial services. I'm going to give you some time to elaborate on that a bit, if you could, and explain what you mean by uneven treatment.

Ms. Athana Mentzelopoulos: Briefly, the structure of big banks gives them access to different vehicles for...I don't want to say tax avoidance, but I can't think of another word right now. Essentially, it allows them to shelter some of their income.

Because of the structure of co-operatives, we just don't have access to some of those vehicles. We are looking at other tax treatment that could show the value for some of those co-operative efforts— investment shares and that kind of thing. We don't have a structure. We're domestic, so we don't have international operations, for example, that allow for some income to avoid Canadian taxation.

Mr. Pat Kelly: You mentioned that regulatory structures seem to beget the types of financial institutions and services that are available. I think you said that if you design a regulatory system that is geared toward a small number of very large players, then those are the players you will have.

Do you have some specific recommendations for regulatory change that might increase the service offerings to Canadians and provide better competition for financial services in Canada?

Ms. Athana Mentzelopoulos: I would take you back to Basel III. If we go with the full implementation of Basel III for all financial institutions—I think federal policy-makers recognize that it's not a good option—it would essentially bind us to rules that are the same right now for the big banks, with one exception. Under Basel III, there is opportunity for big banks, because of their structure, to actually design their own capital floor. That wouldn't be available to credit unions.

What we've found is that the previous iteration, Basel II, has been quite sufficient in leaving in or keeping a high level of safety and soundness for credit unions. We're asking policy-makers to take a very mindful approach as they take that international standard and adapt it so that it's calibrated to small domestic institutions and doesn't undermine our ability to lend money—for example, to be involved in mortgage lending.

That's one example. I talked as well about our market conduct code. Instead of adopting new regulatory approaches for credit unions, with all the attendant compliance costs, what we're asking is that both federal and provincial policy-makers just not do that. It's a fairly significant red tape avoidance exercise. We think that co-operative values have already demonstrated a high level of member service. We can codify those, and we can demonstrate compliance with a self-made consumer code.

● (1635)

The Chair: Thanks, all of you.

Mr. McLeod, go ahead.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thanks to all of you for the very interesting presentations. These are very interesting subjects.

I want to talk a bit about the apprenticeship presentation that we heard, and more specifically about the indigenous component of the presentation. I represent a riding that is over 50% indigenous.

The communities I represent always say that the best program we could have for our people is a job, yet we have high pockets of unemployment in the north. We know that to improve the northern economy we need good employment training opportunities to work for us as northerners.

Could you highlight some of the existing apprenticeship programs that have addressed some of the challenges faced by the northern people or the indigenous people in the north? Could you maybe identify how these programs can be scaled up to assist people who are living in rural and remote communities?

Mr. Raymond Massey: I'll speak to one and then maybe get Sarah to speak to another.

I'm a product of the Alberta apprenticeship industry training system. I chaired that board for a number of years. Through involvement in that system, I was able to travel to various parts of the province. In particular, one time I went up to the northeast part of the province, where there was an indigenous project called the northeast aboriginal apprenticeship initiative. There were three bands that got together—just as in our submission—working on building homes for the reserve. They organized it through one of the local colleges. They were able to come out to the reserve, design the program, and have the young kids involved in building those homes. It was amazing to see the quality of the work. Our submission talks about getting these kids.... Sometimes they drag them out of the house and bring them to school to have them trained and get them on the work site, but you know, it's the beginning of getting these people skilled up.

I talked about societal change. I talked about the generational change this can have, which I believe it will have in that community, because they are productive contributors to that area. It's not just on the one reserve, but on three reserves. It's a very successful program right now.

Mr. Michael McLeod: I have watched many governments and different sectors of industry really try to improve the work environment and the training opportunities for aboriginal people. The diamond mines in my riding have done many things that seem to be working. They've introduced literacy programs right at the work site. In the remote camps, they have literacy programs.

They've introduced mobility assistance programs. Some industries will bring in a worker from the west coast or the east coast and pay their way, but they won't pay for the aboriginal guy to come from the next community, even though he has no vehicle. They've introduced some mobility assistance programs that really help.

I watch some of the indigenous governments as they start to get involved in providing a lot of post-secondary support, and that seems to help. We still see large government projects that have nobody who is aboriginal on the job.

Do you think there are any programs we could introduce to encourage the government and any project that is government-funded or partially government-funded to force people or encourage people to start hiring and training indigenous people?

We have over 155,000 indigenous people sitting unemployed in our communities. Indigenous people don't normally migrate to where the work is, but there are reasons for that, and if there's a way to make it work.... If we're going to have true reconciliation, we need economic reconciliation. If we're going to do that, we need to start training people and we need to allow them to participate. Is there anything that you can recommend to us?

● (1640)

Mr. Raymond Massey: I couldn't agree more. I'll defer to Sarah.

Ms. Sarah Watts-Rynard: I think a key piece is probably community benefits agreements as part of infrastructure spending. I know this is something under consideration, and it certainly gives us an opportunity to start thinking about how we can engage the local community, not only in terms of an indigenous workforce, but also in hiring and training apprentices—hiring people who don't have their certification yet but are interested in working on it.

Some of the most successful initiatives are led by the indigenous communities themselves. It's really recognizing people who are committed and determined, and want to do something with their life. They become the leaders and they become journeypersons themselves, who are in a position to train and mentor. That's what works.

It doesn't really matter which industry it is, but that's what we're seeing in different communities. We're seeing it in remote communities and northern communities, and even in urban communities. What works is local indigenous people who are skilled and able to mentor the next generation and get them involved.

The Chair: I'm sorry, but we're out of time.

Do you have any examples of community benefits agreements?

Ms. Sarah Watts-Rynard: That is something we're starting to see. We're starting to see it in the provincial governments, for example the move toward making all projects funded by the Government of Manitoba include apprenticeship. We're seeing the same thing happening in Ontario and British Columbia, and it's something they're looking at in Alberta and Nova Scotia as well.

There is definitely movement toward the inclusion of apprenticeship, and I think those become opportunities to think about how we engage the local community and young people in opportunities to benefit from federal and provincial government work. The government is a huge user of skilled trades talent. You have the opportunity, as the owner community, to say that this is what you want.

The Chair: Thank you.

I have to come back to the Canadian Trucking Alliance for a minute on Driver Inc. Is that just enforcement? Does it require a legislative change? How do we deal with that issue? The parliamentary secretary for the CRA is here.

Mr. Stephen Laskowski: Technically, it's a classification issue. It's being blended. Historically, to be a contractor driver in the trucking industry involves a truck, some ownership responsibility for that vehicle, payment responsibility for that vehicle, fuel, plates, etc. What is happening now is an evolution, which we refer to as Driver Inc., where drivers incorporate themselves and refer to themselves as contractors, or for tax code purposes as a small business, while having no, for lack of a better word, skin in the game. They don't own the truck. They have no responsibility. Their only cost is their workboots. They refer to themselves as a small business and apply. Quite frankly, Mr. Chair, they're using incorporation status because there are no source deductions on payroll. So they disappear. Just as in a typical ploy in the underground economy in other sectors, they disappear.

As I said to you, sir, and to the other members, we figure this is easily $1 billion. If you're looking for money to pay for projects, we don't need to increase taxes. We just need to collect them from people who aren't paying them.

● (1645)

The Chair: Okay. I'm sure the committee will want to look into that as well.

Thanks, everyone, for your presentations and your submissions earlier. As always, we've run out of time.

We will suspend for a couple of minutes and go to our next witnesses.

● (1645)

_____ (Pause) _____

● (1650)

The Chair: I'd like to thank all the witnesses for coming to the continuation of our preliminary consultations for budget 2019.

I'll outline a bit of a problem we have. We're not going to have nearly as much time with you as we'd like. We have about 50 minutes. We have a vote at 6 p.m., so we'll have to adjourn at 5:45 p.m. because we're a little distance from the chamber.

Please hold your remarks as tight as you can. Members do have all these submissions, and I want to thank those of you who made them. They were short, concise and to the point, and we appreciate that.

We'll start with Beer Canada and Mr. Harford.

Mr. Luke Harford (President, Beer Canada): Thank you.

My comments will be very brief and reflect what's in the formal submission.

Thank you, Mr. Chairman and members of the committee, for the invitation to appear here today.

In 2017, the domestic brewing industry employed 14,800 Canadians and paid $1 billion in wages. It also made 85% of the beer purchased by Canada's 10 million beer drinkers. Today, on average, the cost of a case of beer in Canada is 47% tax. Half the cost of beer is beer-specific tax.

In 2017, the federal government implemented legislation that raises the tax on beer automatically every year by the rate of inflation. The members of Beer Canada have been urging the government to repeal this automatic approach and replace it with a process that is sensitive to changes in the economy, a process that considers the circumstances of the brewer and the beer drinker.

In Canada, we have natural advantages in brewing beer: a large supply of fresh water, locally grown malt and barley that the federal government itself is investing in, and even locally grown hops, which are now making a return. These are the essential ingredients in beer. The fact that we can source them locally is a natural competitive advantage.

Beer generates a lot of tax revenue for governments in Canada. The federal excise tax remitted by Canadian brewers alone last year was $572 million. Adding in sales taxes, payroll taxes, corporate taxes, property taxes, and licensing fees, along with provincial liquor board markups, the sale of beer generated $5.7 billion in tax last year, according to a Conference Board of Canada report published in January. This represents a significant tax tab, ultimately shouldered by the Canadian beer drinker.

Since 2010, provincial governments have increased beer taxes 45 times, making beer less and less affordable with each increase. There are lots of changes taking place in the beer space, but high taxes are not helping brewers meet today's challenges. Per capita beer sales since 2010 have declined by 8.6%. The 2% increase to the federal excise duty announced in 2017 was a surprise, but it is the legislation to increase the duty rates every year that concerns brewers the most. Left as is, this tax mechanism will run in the background, eroding the competitiveness of Canadian beer with no process for considering market conditions or changing economic circumstances.

In our submission, we highlight several circumstances that have changed since the government's new tax policy was introduced.

The hot, dry summer has affected the quality and quantity of malt and barley coming from farms in Canada, the U.S., and Europe. This has pushed up the price of malt and barley, and upward pressure is expected to get worse in 2019.

The U.S. has imposed tariffs on Canadian aluminum, and Canada has retaliated with tariffs on aluminum cans made in America. Brewers are facing a tariff-on-tariff situation that is adding millions in cost to their companies. All the 473-millilitre cans used by Canadian brewers, especially popular among small brewers, are sourced from the United States.

In August, Statistics Canada reported that the annual inflation rate was running at 3%. That is 50% higher than the rate the government assumed when it modelled the revenue it would generate from its new policy on beer in budget 2017. The U.S. reduced federal beer taxes for American brewers as part of its Tax Cuts and Jobs Act. This rollback will benefit beer drinkers in the U.S., and it will make American brewers stronger and more competitive in export markets like Canada.

These are just a few examples of the economic variables that have changed since the government legislated automatic annual tax increases on beer. Tax policy needs to be sensitive to what is going on in the economy, sensitive to the things that are affecting the wallets of consumers and the business plans of producers. Legislating automatic annual tax increases is not the way to ensure Canada's competitiveness.

On behalf of Canada's brewers, I ask that the committee recommend repealing the annual inflation adjustment legislation set to increase the tax on beer every April 1. The specific sections are in our formal submission. In place of automatic annual tax hikes linked to inflation, I ask that the committee recommend that the federal government return to reviewing excise rates from time to time, taking inflation into account as a guide and proposing future tax increases to Canadians.

● (1655)

Thank you very much for your time. I would be glad to take any questions.

The Chair: Thank you very much, Mr. Harford.

We'll turn to the Canadian Canola Growers Association, with Mr. Froese and Mr. White.

Mr. Jack Froese (President, Canadian Canola Growers Association): Thank you for the opportunity to appear today regarding the study of the pre-budget consultations in advance of budget 2019.

As introduced, my name is Jack Froese. I am a fourth-generation family farmer from southern Manitoba and currently serve as president of the Canadian Canola Growers Association. CCGA is a national association of canola farmers, with members from Ontario to British Columbia. I'm here today with Rick White, CCGA's chief executive officer.

The canola sector has a plan for sustainable growth that will contribute to the government's growth target of $75 billion of agricultural exports by 2025. Our sector contributes $26.7 billion to the economy and employs 250,000 Canadians. We are export-dependent and appreciate the government's efforts on trade. We look forward to a successful resolution to NAFTA, a swift ratification of CPTPP and moving ahead with an FTA with China.

Today I would like to discuss the most pressing issues for Canada's 43,000 canola producers: taxation, the Pest Management Regulatory Agency and a long-term plan for Canada's transportation infrastructure.

First, a competitive tax environment in Canada supports industry and stimulates economic growth and innovation. Taxation levels are important considerations that influence competitiveness and investment decisions throughout the value chain. For agriculture, value chains are global, and Canadian farmers compete with farmers in other countries for market access and for investment dollars, be it investment in research and bringing in a new crop protection product or seed variety to our market, or in Canadian infrastructure.

The recent taxation changes in the United States are expected to negatively impact Canada's long-term competitiveness. To ensure alignment, we recommend lowering the combined federal and provincial corporate tax rates to 20% and matching the accelerated capital cost allowance provisions available to U.S. companies. This would help ensure that our entire value chain remains competitive and enables investments in the industry infrastructure required to grow our exports and generate economic spinoffs for Canada's middle class.

I would like to extend my appreciation for the new approach to passive investment held within a corporation, announced in budget 2018. To see farm businesses continue to innovate and invest in our economy, CCGA recommends indexing the $50,000 adjusted aggregate investment income and excluding farm rent from passive income. Indexing the limit maintains its value year to year. Renting farm land is a common form of passive income, particularly for farmers looking to transition the farm to the next generation and prepare for retirement.

Second, farmers use a variety of crop protection products to effectively manage weed, insect and disease problems that threaten their crops. We rely on the Pest Management Regulatory Agency to provide a predictable, transparent science- and evidence-based regulatory approval process to ensure the safety of these products while providing an attractive environment for companies developing crop inputs to invest in the Canadian market.

In recent years, the agricultural sector has experienced various challenges with the re-evaluation process. Farmers are very concerned that they'll lose access to effective solutions due to incomplete processes and lack of real-world data, and more largely, that investors will start doubting the Canadian investment climate. The high number of re-evaluations included in the agency's work plan and the pace of scientific advancements highlight the need to outfit the agency to appropriately keep pace. To this effect, it is crucial that the PMRA have the resources it needs to appropriately, effectively and efficiently make robust science- and evidence-based decisions that lead to the safe and sustainable use of crop protection products in Canada.

Lastly, we recommend that the government coordinate and invest in long-term strategic infrastructure improvements. Investments need to continue in the supply chain to consistently and efficiently service our global customers. This is core to our reputation as a trusted supplier of high-quality grains and oilseeds, and to achieving a diversified export program. On average, prairie farmers' grains travel 1,500 kilometres to reach an export port. Transportation corridors such as the Vancouver gateway need considerable funding to be upgraded to handle not simply the goods of today but the increased volumes of the future as Canada works to diversify its trade flows.

Government initiatives such as the modernization of the Canada Transportation Act and the national trade corridors fund are good starting points, but a long-term, ambitious and fully resourced plan is required.

● (1700)

This will not be easy, as it will require multi-party collaboration among government, the provinces, municipalities, railways, terminal asset-owners and the port. Long-term strategic investments would proactively position Canada as an export powerhouse and provide the infrastructure to reliably and consistently service global markets. We need to think and invest in the future, and that needs to start today.

In conclusion, I would like to thank you for including the canola growers in your deliberations.

The Chair: Thank you very much, Jack.

From the Canadian Produce Marketing Association, we have Mr. Lemaire, president.

Mr. Ron Lemaire (President, Canadian Produce Marketing Association): Thank you, Mr. Chair and committee members, for inviting me to speak today about budget 2019. While this is taking place over the dinner hour, I'm happy to see some of the members enjoying fresh fruit and vegetables on half their plate during committee, which, interestingly enough, will tie into my comments.

Under the theme of competitiveness, CPMA submitted five key recommendations for the committee to consider, which we believe would greatly benefit the industry and ensure long-term competitiveness for the sector. My remarks will address the following recommendations: progressive changes to the small-business deduction, funding for a new food policy and national food policy council, the development of a long-term data strategy for agriculture and agri-food, and funding to support an innovative fruit and vegetable industry in Canada.

CPMA is advocating today for two progressive changes to the small-business deduction, which would more accurately reflect modern agricultural small businesses and their operational requirements. These include changes to the limits within the small-business deduction and an expanded exemption for affiliated corporations.

Increasing the federal business and capital asset limits with regard to the small-business deduction would modernize the tax code by adjusting limits to 2018 numbers and tying them to inflation moving forward. The federal business limit for the small-business deduction has not increased since 2009, and the capital asset limits have not increased since they were established in 1994. The most significant impact for agricultural small businesses would be from increasing the capital asset limits, which are used to qualify for the small-business deduction. As you know, modern agricultural businesses, even small businesses, are capital-intensive and require significant capital investment by producers. Now is the time to modernize the limits of the small-business deduction and recognize the capital-intensive nature of modern agricultural small businesses.

Second, we are calling on the government to exempt agricultural businesses from the recent changes to the rules of affiliation and their impact on the eligibility for the small-business deduction. Under the rules released in 2016, which took effect this current tax-filing year, affiliated corporations must now divide their small-business deduction pro rata between the affiliated corporation and its shareholders, a stark change from the previous policy, which allowed both the corporation and its shareholders to individually claim their small-business deduction.

For the fresh produce industry, affiliated corporations are an effective business structure to consolidate product across multiple farms, share costs for packing and marketing, and allow retailers to deal with a single point of contact rather than multiple farming operations in an area.

Knowing this, we urge the government to expand the current exemption under these new rules offered to agricultural co-operatives to any affiliated corporation in which the majority of shareholders derive farm income as defined by the Canada Revenue Agency. We believe that the policy change has had an unintended impact on the agricultural sector, sometimes in the hundreds of thousands of dollars per company, and that a blanket agricultural exemption would recognize the unique nature of agricultural businesses and business structures that are used in order to be competitive in the marketplace.

Our third recommendation relates to the upcoming food policy in Canada. Recognizing the tight time frames you have here at committee with your need to go to the House, I will just quickly note that our request is simple. We're asking for a fully funded food policy for Canada, including the creation of a national food policy council. We've had over 45,000 Canadians participate in the consultations, and that clearly indicates that this is of importance to them from coast to coast. We believe that a new food policy would have great potential to establish an action plan that would help us grow the economy, address important social issues, and provide a road map for the future of food in our country. We are one of 50 organizations that have signed a letter of support to create a national food policy council, and funding would be essential to drive that forward.

Our fourth recommendation to the committee is on a perennial issue for all agriculture: the lack of data. Unlike many countries, such as the U.S. and Australia, Canada has a significant data deficit when it comes to agriculture. We're calling on Agriculture and Agri-Food Canada and Innovation, Science and Economic Development Canada to strike a joint data working group to develop a long-term agriculture and agri-food data strategy. Our hope is that such a strategy would identify current data gaps and outline a path forward on how data could be utilized to increase our competitiveness in the global marketplace.

● (1705)

Our members consistently ask us for data that is not currently available or requires significant funds to acquire through a third party provider. Information such as purchasing choices, consumer trends, import-export numbers and commodity-specific information would allow our members to identify new market opportunities and new product development and increase their competitiveness.

Finally, our fifth recommendation is on innovation. CPMA has recently begun its process of developing and implementing a new innovation strategy for the fresh produce industry. This strategy will aim at connecting CPMA members with Canadian researchers, new start-ups and post-secondary institutions through a virtual innovation hub. Furthermore, CPMA will be launching a new national hackathon geared at post-secondary students and start-ups aimed at addressing the biggest challenges to promoting innovation in our industry and driving our businesses.

CPMA supports the current government's initiatives to promote innovation, but encourages an expanded innovation strategy, potentially including joint funding mechanisms, which would enable all industries, including small and medium enterprises, to participate in an innovation ecosystem and scale up to drive their competitiveness.

Thank you to the committee for allowing me to speak. I look forward to questions later.

The Chair: Thank you, Ron.

Next, we have the Canadian Vintners Association and Mr. Paszkowski.

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Thank you, Mr. Chair.

The Canadian wine industry is a $9-billion industry that manages 31,000 acres of vineyards, produces 85 million litres of wine, employs 37,000 Canadians and pays $1.7 billion in annual wages. In addition, Canada's wine sector attracts roughly four million tourists every year.

As as result, the national economic impact of a bottle of 100% Canadian wine is $90, or six times more than a bottle of imported wine sold in Canada. This poses an opportunity and a challenge: an opportunity because Canada is the wine market with the second-fastest sales growth in the world, and a challenge because we're the world's sixth-largest wine importer, with 91% of wine imports entering Canada tariff-free.

In our pre-budget 2019 submission, the CVA has proposed two recommendations.

The first is the immediate need for the federal government to prioritize the removal of interprovincial barriers for both personal transport and direct-to-consumer delivery of alcohol across Canada. Significant attention is rightly paid to international trade agreements, but we cannot forget to lead by example at home. Barriers to alcohol trade are long-standing, unjustifiable and costly trade irritants that must be resolved. Vulcanizing our already small domestic market and making it harder for Canadian wineries to grow and realize the economies of scale and other efficiency attributes of larger international competitors must be eliminated. This would benefit all Canadians through greater interprovincial commerce.

More than six years have passed since the historic passage of Bill C-311, yet only three provinces, representing 19% of the Canadian population, have amended their laws to allow for personal transport and interprovincial winery-to-consumer delivery. As such, it was a positive signal that the new Minister of Internal Trade's mandate letter outlined the importance of collaborating with provinces and territories and eliminating barriers to create a stronger, more integrated Canadian economy while fully exercising federal jurisdiction as outlined by section 91.2 of the Constitution Act and Supreme Court decisions on the regulation of trade and commerce.

When the first ministers conference takes place this fall, it is critical that the federal government lead by example and take every measure possible to allow Canadian wineries to enter the 21st century by supporting the implementation of interprovincial winery-to-consumer delivery across Canada.

Our second recommendation calls on the federal government to amend the Excise Tax Act and to eliminate the legislated annual inflation indexation of the excise duty on wine. Canada already has among the highest wine excise duty rates of any wine-producing country in the world, and inflation indexation will continue to negatively impact Canada's wine value chain. This is too rigid a tax policy.

Not only do economic circumstances vary across all regions of Canada, but Canadian wine producers risk losing market share to much larger global players if we pass the increased excise duty cost on to consumers. Canadian wines compete against thousands of wine brands, with imports representing the majority share of both value and premium-priced wines. It is important to reflect upon the size of our industry, considering that each of the top eight wine companies in the United States produces more wine than the entire Canadian wine industry. With a 33% market sales share in Canada, we lack pricing power, and as a result the unintended consequence is a government-imposed producer tax, placing business revenues, wages, taxes and jobs at risk.

Today, the Canadian excise duty on wine is double the rate of our largest trading partner, the United States. To make matters worse, effective January of this year, the U.S. government reduced its excise duty from 37¢ per litre to as low as 2.4¢ per litre by way of an excise tax credit, with full excise paid only beyond 2.35 million litres of wine.

The impact of inflation indexation and changes to a competitive tax policy is why parliamentarians should have the final say on all tax increases. Given the broad economic implications of legislated excise duty indexation on the entire wine value chain from producer to restauranteur, the CVA recommends that the government amend the Excise Tax Act to remove the legislated annual excise duty inflation adjustment.

Thank you very much.

● (1710)

The Chair: Thank you very much, Dan.

From the Mental Health Commission of Canada, we have Ms. Bradley and Mr. Mantler.

Welcome, Ms. Bradley.

Ms. Louise Bradley (President and Chief Executive Officer, Mental Health Commission of Canada): Thank you very much, Mr. Chair.

We're here today in the middle of beer, wine and spirits. However, in our discussion before we came in here today, I think we all agreed that mental health issues affect all aspects of society. We are here today to talk about a very tough topic, which is suicide. You might be asking yourself, why is the commission here today to talk about suicide when the focus of this committee is Canada's economic growth and competitiveness? We're here to tell you that suicide isn't just a public health crisis. Make no mistake: It is also an economic crisis. Every death by suicide costs the Canadian economy an estimated $1 million.

By 2030, depression will be the global leader in disease burden, and it is a major contributor to suicide. If this isn't compelling enough, consider that for every suicide, 125 people are deeply impacted. Suicide is the leading cause of death among our young people in this country, and that number is five to seven times higher among indigenous youth. We should all be sitting up and paying attention, because indigenous youth are the fastest-growing demographic in Canada.

For 11 years, the commission has been prioritizing the mental health and wellness of Canadians. This work has to continue, but we aren't here talking about preservation of the commission. What's driving us is the fact that suicide rates have remained stubbornly unchanged for decades. Every single day in Canada 10 people die by suicide. There have not been any improvements in many years.

Two years ago, we came to this committee calling for an investment in suicide prevention. We weren't successful, but we took this experience and we learned from it. We're a resilient organization. When our proposal for suicide prevention was turned down the first time around, we were undeterred. We turned to the provinces and sought their partnership. The fact is that we are all invested in the mental health of our communities, and that's what our newest project is all about.

Roots of Hope is a community-based suicide prevention project. It's starting to effect real change in communities such as the Burin Peninsula in Newfoundland and right across the country. We owe these communities help and we owe them healing. All communities deserve roots of hope.

I will now pass the floor over to my colleague, Ed Mantler, who will give you some specifics of the program.

● (1715)

Mr. Ed Mantler (Vice-President, Programs and Priorities, Mental Health Commission of Canada): Thank you, Louise.

Louise has captured the urgency, the why behind Roots of Hope, and I'm here to talk about the how.

Roots of Hope is the first large-scale community suicide prevention research demonstration project of its kind in Canada. Similar initiatives in other countries have been shown to reduce the incidence of suicide by up to 20%, an extraordinary feat when we consider that Canada's suicide rate has been stagnant for decades.

Roots of Hope is revelatory, because it doesn't presume to know the answers; it starts by asking questions. It builds on what's already working in communities. It offers greater resources, a more formal structure and improved supports, and it works. Today there is no wait-list for mental health and addiction services counselling in Grand Banks, Newfoundland. That's right: There's no wait-list. The provincial government has eliminated the wait-list, which previously was upwards of eight months.

Roots of Hope is taking existing activities and programs and enhancing them. That's why it will never be replicated in exactly the same way in two communities. We believe that's why it works.

Roots of Hope is founded on international best practices: specialized supports like crisis lines, support groups and access to services; training for leaders and physicians, first responders and other gatekeepers; public awareness campaigns; means restriction; and research. To date, the commission has begun phase one of Roots of Hope planning and preparation, with funding secured from three provinces: Newfoundland and Labrador, New Brunswick, and Saskatchewan. Funding commitments are pending from provincial governments in three additional provinces.

At the commission, we envision expanding the number of communities participating in the project to fully represent Canada's population and demographics. Federal funding would enable the commission to put down Roots of Hope in all provinces and territories, while participating provinces can use funds to expand existing services.

Let's work together to make Canada a country where Roots of Hope branches out and flourishes from coast to coast to coast.

Thank you.

The Chair: Thank you, both.

We are now turning to Spirits Canada, with Mr. Westcott and Mr. Helie.

● (1720)

Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada): Thank you, Mr. Chair.

Canadians are rightly concerned with the decline in the competitive position of Canadian business. Canadian spirits manufacturers are to a great extent the proverbial canary in the coal mine of the effects of policy-makers taking their eye off the ball and allowing a competitive challenge to deteriorate to a crisis. Canada has long imposed higher excise duties on spirits than those imposed by our American competitors, but a significant historical competitive disadvantage has in recent years devolved into an existential threat.

Canada has a dozen commercial-sized distilleries and some 170 small local producers. From the largest and the oldest to the newest and the smallest, we all agree that the core problem with Canada's excise duty structure is the automatic annual escalator clause introduced in the March 2017 budget. The automatic escalator clause made a bad tax even worse.

Alcohol excise duties are among Canada's oldest taxes and fail the most basic principles of sound, modern tax policy, things like transparency, equity, effectiveness, neutrality and being broadly based. The decision to automatically increase excise duties annually irrespective of the economic realities of the day, all without any input or oversight by members of Parliament or this committee, magnifies these structural deficiencies in the excise duty framework.

Some have postulated that the annual increases are only pennies a bottle and are largely insignificant. As finance department officials admitted themselves, however, these changes were adopted with no analysis or consultation. I want to say that again—no analysis or consultation.

With the increase coming into effect on April 1, 2019, the federal treasury will have stripped nearly $50 million off the top from the resources available to Canadian spirits companies to deploy in the market over the coming 12 months, and $50 million is a lot of pennies. That's $50 million not available to develop and introduce a new Canadian whisky brand, $50 million not available to take advantage of the new free trade agreement between Canada and Ukraine, $50 million not available to get ready to enter Vietnam once the CPTPP comes into effect, $50 million not available to buy new barrels to lay down whisky distillate, $50 million not available to upgrade equipment in our facilities and $50 million not available to promote and compete in the marketplace.

I mentioned earlier that a huge weakness in the automatic escalator clause is that it does not consider the current economic environment. What is that environment? Well, in March 2017, inflation in Canada was running at 1.5%. In July 2018, it hit 3%. So, the escalator clause will be double that anticipated at the time of its introduction.

At the same time, as Canada decided to automatically increase excise duties on alcohol, the United States adopted a historic decrease in its own excise duties. Now we have a situation where Canadian spirits manufacturers have some $50 million less to invest in the market in 2019, while American bourbon and spirits companies have $285 million in tax relief to deploy. That's simply a scenario for disaster for investment in Canadian spirits manufacturing or in the Canadian whisky franchise.

From excise duty officials' point of view, all of this is largely irrelevant. Their sole perspective is the revenue stream for treasury derived from the application of excise duties, and these federal revenues are the same whether the product is Canadian, made by Canadians from Canadian-grown barley, corn, rye or wheat, or whether the product was made halfway around the world.

Canadians will always drink spirits, and excise will always get its pound of flesh. The question before us is whether or not we will be the last generation of Canadians to enjoy the economic benefits accruing from a vibrant, globally competitive domestic spirits manufacturing industry. No country in the world so disadvantages its signature beverage alcohol export in its own market. Scotland doesn't do it with scotch. We just talked about the tax relief provided to American bourbon, and certainly Mexico takes great pride in supporting tequila's growth around the world.

Here in Canada, Canadian whisky and Canadian rye whisky are hammered with exorbitant fiscal burdens, often restricted in places they can sell and now subject to further annual increases in excise duties. It's simply not sustainable.

I close and call on your support for three recommendations to help sustain more than a century-old primary manufacturing industry filled with tradition and craftsmanship.

The first is that the government eliminate the automatic escalator annual increase on federal excise duties on beer, wine and spirits.

The second is that the government reduce federal excise duties on Canadian spirits to mirror those imposed on American spirits by the United States government.

● (1725)

The third is that the government ensure that Canadian out-of-province alcohol manufacturers are provided the best policy treatment available to licensed in-province producers—the inter-provincial barriers, which my colleague alluded to.

Thank you for your time and consideration.

The Chair: Again, thank you all for your presentations and your earlier submissions. We'll have the first three questioners for five minutes. Ms. Rudd will start, and Mr. Sorbara might have time for one question.

Ms. Rudd, go ahead.

Ms. Kim Rudd (Northumberland—Peterborough South, Lib.): Thank you, Chair.

Thank you all for coming. As someone said, it's quite the mix of presentations today.

I want to start with you, Ms. Bradley and Mr. Mantler, on your Roots of Hope. I was very interested to read your brief and to learn about the incremental work you have done in the three provinces, with not a huge amount of money.

Do you have any data yet, any numbers, that could be extrapolated? I think I read in your brief that you are in negotiations with three other provinces as well. Can you talk about any data you may have and where you can see you are having the greatest impact? Is it particularly in rural communities? Is it more urban? Is it able to fill a void where there is no access to other mental health services, or is it complementary to those? Can you expand on that?

Ms. Louise Bradley: Yes. Thank you.

It's very early days, unfortunately. As I mentioned, we were here a while ago. In that period, we have spent all of our time negotiating and trying to find money in each of the provinces for this, so it's too early for data just yet.

As my colleague told you, this model has been tried in several European countries. Also, there is a similar model in Quebec. The areas that utilize this model saw a 20% to 25% reduction in the suicide rate within two years.

As Ed also mentioned, among some of the very early outcomes we are seeing is the elimination of a wait-list in a community in Newfoundland, chosen because it had a higher rate of suicide than anywhere else in the province. Now they have a zero wait-list.

Ms. Kim Rudd: Are you working through schools, employers, agencies? How are you identifying where the crisis is?

Ms. Louise Bradley: That's an excellent question.

Mr. Ed Mantler: Each community is unique. The project works with a coalition of community members with interest and expertise in their community. They look at the specific demographic at risk within that community and build on the strengths already in place within that community. It really does look different in every community, in terms of implementation based on their need and their situation.

Ms. Kim Rudd: Thank you. Could you provide us with the model used by other countries, or even the Quebec model? I think it would be quite fascinating and helpful for us to read. Could you provide that to the clerk?

I want to turn to canola and Mr. Froese. The biggest contributor to the GDP in my riding is agriculture, so I have a vested interest in it. There are a couple of things in your brief that I was very happy to see. I was interested to see that you are talking about the clean fuel standard, not just support for the standard being put in place in a collaborative way, but what that could mean to the canola growers and the industry itself.

Could you elaborate a bit on that, please?

Mr. Jack Froese: First of all, the emissions from canola biodiesel are 90% less.

Ms. Kim Rudd: Emission-free....

Mr. Jack Froese: Obviously, if we could have an inclusion or a mandate for a percentage of the canola oil in the biodiesel, that would help the industry greatly. It would mean more acres, but it's not necessarily about more acres. We're trying to increase productivity by making sure we get more per acre. As we produce more per acre, productivity goes up and the amount of hydrocarbons emitted goes down.

● (1730)

Ms. Kim Rudd: Do I have time for a quick follow-up?

The Chair: You have time for a very quick one, yes.

Ms. Kim Rudd: Certainly canola farmers in general have become much more adept at getting more produce per acre. Do you think the industry is currently able to ramp up to fill that need?

Mr. Jack Froese: We can most certainly do that.

Ms. Kim Rudd: Okay. Thank you.

The Chair: Mr. Richards, go ahead.

Mr. Blake Richards (Banff—Airdrie, CPC): Thanks, Mr. Chair.

I'm going to start with Beer Canada, Spirits Canada, and the Vintners Association, purely because all three of you raised two of the same issues.

The first one is the interprovincial trade barriers. I think all three of you raised that issue. We're having a lot of trouble in this country right now dealing with trade negotiations with the United States and other countries, but it's crazy to think that even within our own country we have these issues around trade. I think about the fact that some of my favourite wines are from Prince Edward County. When I'm here, that's fine, but if I'm at home in Alberta, I can hardly find them anywhere. The same goes for B.C. The B.C. wines are great wines. I can usually get them in Alberta, but here it's a little more of a challenge. I think about some of my favourite beer. One of my favourite beers is from the chair's home province. I'm not trying kiss up here or anything, but there's Sir John A's Honey Wheat Ale, and it's great, but I can't get it in Alberta. Those are some examples. It's crazy to think that here in Canada we can't even trade these products across our own provincial borders. That's just astounding.

The other issue was the escalator tax, or the excise tax. I just want to give you all an opportunity to talk a bit more and briefly touch on the impacts it would have on your industry. I want to hear a bit more about the impacts that you see from that escalator tax, in particular when you think about the fact that that's essentially taxation without representation. What happens there is that taxation gets increased every year, and not one single politician, not one single person who's representing anyone in this country, has to stand up and be counted for the changes that are being made and the taxes that are increased every single year. Tell me about the impact that this will have on your industry. I particularly want to hear about the smaller ones, the craft distilleries, the craft brewers and the ones that are trying to get started.

I often hear this from winemakers, and you'll know this one, Mr. Paszkowski: "How do you become a millionaire in the wine industry? You start with $10 million."

Mr. Dan Paszkowski: You produce beer.

Mr. Blake Richards: That's also true.

I just want to hear a bit about the impact it will have on those trying to get started, and particularly on our smaller craft distilleries or craft breweries.

I don't know who wants to start. You're closest to me, Mr. Westcott, so why don't you start? I would like to hear a comment from all three of you on the impacts you think it will have.

Mr. Jan Westcott: I'll give you two perspectives. First, I'll give you a bit of a global perspective. Canada has always had higher excise rates than our competitors in the United States, and if you go back prior to the introduction of the escalator tax, Canada's excise rates were about 60% higher than those in the United States. Assuming we'll have a 3% increase next April 1st—and that number will be set on September 30—that difference will go up to 85%. What this means is that no one will invest in a Canadian spirits business, no one. Why would you invest when that's what you have to look forward to? The United States is our biggest market and our biggest competitor, and they're fierce competitors. Our ability to compete is being eroded dramatically. That's one perspective.

The second perspective I would give you comes from a meeting that CJ and I had with the two fellows who run a small distillery in Vaughan, just north of Toronto. Still Waters makes very good whiskey, Stalk & Barrel. We shipped a supply of Canadian whiskey to Kiev to help the Canadian embassy celebrate the successful signing of a Canada-Ukraine free trade deal. We happened to be at a meeting with them late last fall. They produce a product called Stalk & Barrel, and they're just at the point where they need to go out and raise more capital to grow their business and be able to sustain themselves. They're a small business. They hired a fellow to help them go out and beat the drums for financing, and one of the early things they did was take a hard look at their business and build a five-year business plan with pro forma profitability. Just based on the 1.5% annual increase, which was estimated when the escalator tax was brought in, that sucked up all the profit in that small business over those five years. One of them looked at me and said, "How are we expected to raise investment dollars for our business when all of the money that we hoped to be able to return to the investors is now going to go to the federal government on excise?"

I offer those two different perspectives about those kinds of impacts. Smaller companies have less capacity to absorb those kinds of things. Of course, then you have the whole issue, particularly with some of the smaller companies, where they're saying, "I thought Parliament's supposed to make decisions on taxes." Those are the two perspectives I would offer.

● (1735)

The Chair: I'm sorry to have to cut off beer and wine, but we're out of time.

Mr. Julian, go ahead.

Mr. Peter Julian: Thank you very much, Mr. Chair.

Thanks to our witnesses.

Mr. Lemaire, thank you very much. I wasn't aware that 90% of fresh fruit and vegetables purchased by Canadians came from your members. That's very important, particularly in light of climate change and the fact that consumers are increasingly looking to purchase produce that's close to home. People are increasingly concerned about the environmental costs of flying produce around the world.

I think the committee has heard your eloquent plea for changes to the small-business deduction. That does make sense. I wanted to come back to the issue of the national food policy council and see if you could elaborate a bit more.

Are you concerned about issues of food sovereignty, which is a growing movement as you know, including in the fruit and vegetable sector? Is that something you are looking to provide some direction on, that if we look at a national food policy council, one of the issues we should be looking at as Canadians is increasing food sovereignty?

Mr. Ron Lemaire: There's a combination there: respecting and driving a domestic industry is essential for our economy, and for Canadians to enjoy fresh fruit and vegetables or meat or dairy over the course of their lifetime.

The elements around the need to deal with the issues within civil society and how we address access to food, how we address food prices, can be supported through a strong domestic and sovereign strategy. We have to recognize that we operate in a global economy and there is a balance between the two, especially recognizing how we're currently in unique trade agreements with some of our partners. We're dealing with challenges on export markets for some of our producers, which is also important.

When we see opportunity for driving business globally for Canadian producers, we have to take that in hand with a domestic market that also wants to enjoy product.

Mr. Peter Julian: Thank you very much for that.

Ms. Bradley and Mr. Mantler, thank you very much for your very eloquent plea. You're talking about the costs of $1 million per suicide.

Ms. Louise Bradley: Yes.

Mr. Peter Julian: You said that 10 people commit suicide in Canada every day.

Ms. Louise Bradley: Yes.

Mr. Peter Julian: I assume those numbers actually underrepresent, given that many people who are victims of the opiate crisis are sometimes considered also to have committed suicide through the use of that drug.

So the economic cost per day is $10 million. That is pretty profound for us to learn as a committee. But your ask is fairly small.

Ms. Louise Bradley: Yes.

Mr. Peter Julian: You're looking at $44.5 million over five years. That's $9 million a year, yet the economic costs are $10 million a day.

Ms. Louise Bradley: Yes.

Mr. Peter Julian: Are you revising that request because of having come before Finance before and not having pickup? If you could draft a budget request that would make a difference immediately in that high rate of suicide, what would it be?

Ms. Louise Bradley: We have increased the numbers since the last time we were here. To your point about the opiate deaths, we now know from a recent statistic that 31% of hospitalizations from opiate overdoses are actually incidents of self-harm. Your point is very well taken and very accurate.

We believe this is a modest request but it would allow us to do a research demonstration project. We don't want to keep researching this forever. This would allow us to take action and will save lives while we are researching it. After that, we would be looking at scaling up when we have evidence.

To the earlier point, whether we have data yet to show that we can have the same, or better, statistics in Canada as elsewhere, we don't know, but we believe that to be true. You may be aware of our last project, At Home/Chez Soi, which was a $110-million project over five years. The outcomes we were able to demonstrate through that research were significant, and it has now impacted public policy provincially and federally.

We do believe that would serve us well. However, if we were given more, we would certainly make good use of it.

● (1740)

The Chair: Thank you, both.

The last question goes to Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): My question is for the Canadian Canola Growers Association on the accelerated capital cost allowance. Yesterday we also heard from equipment manufacturers who requested the same sort of thing.

I would expect that we will have a fall economic statement coming up. It's traditional.

The accelerated capital cost allowance is a powerful tool. How useful would it be to your members, to the farmers out there?

Mr. Rick White (Chief Executive Officer, Canadian Canola Growers Association): Thank you for the question.

From a farmer's perspective, every farm is different; they operate differently. However, I think what they all have in common is that it's a very capital-intensive business, and that's what makes it risky.

Giving farmers the option to have an accelerated capital cost allowance is an option that I think many would find very appealing, maybe not all of them. However, it would certainly be helpful.

Mr. Francesco Sorbara: If I may follow up, I know that in farming these days, yields are being impacted by everything. There are a lot of new technologies being brought in, like geo-mapping, so farmers know not only when to go out there but how to put their machines out, etc. There are a number of companies that do that, and it's quite exciting.

I want to switch to the spirits and vintners. Can you give me some commentary on investment trends in the industry versus outside jurisdictions?

Mr. Luke Harford: The investment trends right now are really good. Between Molson and Labatt, my two largest members, you're talking $1.5 billion that's going to be invested in Canada between now and 2022. Molson itself has two greenfield operations opening up.

My point is not that the government doesn't have the privilege to increase tax. My point is that there's no check currently in the mechanism that would have it look at the things in the marketplace that would make it review or reconsider its approach.

Right now, it's good because it's baked in, but where does it go from here? There's no mechanism for review. That's the concern.

The Chair: Dan, go ahead, very quickly.

Mr. Dan Paszkowski: As you know, we have two parts to our business: one is the 100% Canadian part. We have seen significant investment over the past 10 years and continuing today, in terms of 400 new wineries opening over the past 10 years, contributing an additional $2.6 billion to the economy.

The second part of our business is the blended business, which is 80% of our total production. The excise accelerator definitely impacts that, because all those wines are sold under $10 per bottle and the excise tax is flat. It's currently 64 cents a litre, regardless of the price of wine. We can't pass that on to the consumers, which means we have to eat it. That's limited money that now I can't put into hiring new people or investing in new technology or becoming more competitive. We have a challenge on the blended side of the business right now.

The exemption on the excise tax in 2006 definitely helped us on the 100% Canadian side to invest into the economy.

The Chair: I'm afraid we're going to have to pack it in there.

I will remind committee members that it's 8:45 a.m. tomorrow, in room 237, Centre Block.

Thank you to all the witnesses. I'm sorry for having to rush you.

The meeting is adjourned.

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